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*Canada Bread*

*Company, Limited*

*Annual Report*

FOR THE FISCAL YEAR ENDED JUNE 25, 1966





# *Canada Bread Company, Limited*



## DIRECTORS

HARRY N. BAWDEN      NORMAN T. CURRIE      J. D. LEITCH  
G. M. MacLACHLAN      H. B. MANNING      W. T. MURCHIE      C. E. SOWARD

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## CORPORATE MANAGEMENT

NORMAN T. CURRIE, President and General Manager  
R. H. BONUS, Vice-President  
L. V. FAYLE, Vice-President—Marketing  
F. BOGDEN, Vice-President—Sales  
L. D. IRWIN, Secretary-Treasurer

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A. ALLIBONE, Manager, Engineering Services  
G. H. BENNETT, Manager, Distribution  
W. A. EASTON, Controller  
F. N. FRANCIS, Manager, National Accounts  
W. J. LEWICKI, Manager, Production  
J. E. MARROTT, Director, Group Sales  
F. PAMENTER, Executive Assistant  
J. C. ST. PIERRE, Manager, Industrial Relations  
L. S. WHITE, Ph.D., Director of Product Development

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## AREA MANAGERS

E. A. LEESON, Toronto      K. L. DIEWOLD, Sudbury  
D. G. HICKINGBOTTOM, Windsor      L. S. DAVIES, London      A. McDOUGALL, Montreal  
G. L. PROWSE, Ottawa

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## AUDITORS

CLARKSON, GORDON & CO., Toronto

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## REGISTRARS AND TRANSFER AGENTS

EASTERN & CHARTERED TRUST COMPANY, Toronto, Montreal

MONTREAL TRUST COMPANY, Winnipeg

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## BOND TRUSTEE

EASTERN & CHARTERED TRUST COMPANY, Toronto



## **DIRECTORS' ANNUAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 25TH, 1966.

### **TO OUR SHAREHOLDERS:**

You will be pleased to learn that your Company's sales continued to increase in terms of both volume and value to give us another record sales year. As a result of this and the sustained high investment in plant and equipment, we were able to maintain the improved level of earnings reported last year in spite of substantially increased wage and welfare costs and the comparative rigidity of the prices we can charge for our products.

For the fiscal year which ended June 25th, 1966, net profit after tax was \$674,271 compared with the \$655,441 reported last year, providing earn-

ings per common share of \$2.01 compared with last year's \$1.95. Net profit before tax was less satisfactory—decreasing by \$41,170. This was the first year in which contributions were made to the Canada Pension Plan and this additional cost of \$78,000 over the cost of our Company's previous voluntary plan, was largely responsible for the decline in net profit before tax.

Working capital increased to \$911,457 from last year's \$803,476 after reducing long-term debt by \$472,411. As at the end of this fiscal year, long-term debt stood at \$1,582,089.

Capital expenditures for land, buildings and bakery equipment amounted to \$666,483 compared with \$676,994 for the previous year. This level of expenditure will be continued in order to keep our plants operating at maximum efficiency.

During the year, the program of concentrating your Company's products under the new Toastmaster



symbol was completed. Increased advertising support and continuing concentration on high quality and dependable service helped us to achieve a broader distribution of our products, and this, in turn, contributed substantially to the record sales volume.

Early in the second half of the fiscal year, unprecedented wage demands and the added cost of the Canada Pension Plan made an increase in the price of bread inevitable. Market conditions, however, forced us to delay the increase until February, 1966 at which time an increase of 2 cents per loaf was applied through most of Ontario. This was the first price increase since December, 1963.

This price increase gave us an estimated additional revenue of \$440,000. It is significant that the increased revenue did not allow us to meet the added costs represented by the Canada Pension Plan contributions and the increased

wages paid to our employees. For the second half of the year, wage increases totalled \$380,000 and this, added to the \$78,000 for the Canada Pension Plan, increased costs by \$458,000. This situation presents a challenge to your Company to further reduce operating costs—particularly in the area of distribution.

Confidence in our ability to do this is based on the outstanding performance of your Company's managers, employees and dealers and their dedication to their work—both of which are reflected in the good results presented in this report.

For the Board of Directors,

PRESIDENT



# CONSOLIDATED BALANCE SHEET / CANADA BREAD COMPANY

JUNE 25, 1966

(with comparative figures at June 26, 1965)

## ASSETS

	1966	1965
Current:		
Cash - - - - -	\$ 893,822	\$ 1,043,769
Accounts receivable - - - - -	2,206,557	1,990,978
Inventories of ingredients, finished products and supplies, valued at the lower of cost or market - - - - -	1,080,792	1,123,222
Prepaid expenses - - - - -	173,904	212,727
Total current assets - - - - -	4,355,075	4,370,696
Investment in McGavin ToastMaster Limited (at cost):		
402,500 fully paid non-assessable non-voting Class A common shares without par value - - - - -	402,500	402,500
Mortgages and sundry assets - - - - -	80,940	108,068
Fixed:		
Land—cost - - - - -	381,986	363,477
Buildings—cost - - - - -	3,658,065	3,665,450
Bakery and other equipment—cost - - - - -	10,951,734	10,234,223
	14,991,785	14,263,150
Less accumulated depreciation - - - - -	8,032,928	7,437,519
	6,958,857	6,825,631

On behalf of the Board:

NORMAN T. CURRIE, *Director*

C. E. SOWARD, *Director*

\$11,797,372

\$11,706,895

(See accompanying notes to

AUDITOR

To the Shareholders of Canada Bread Company, Limited:

We have examined the consolidated balance sheet of Canada Bread Company, Limited and its subsidiary companies as at June 25, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of consolidated source and application of funds which, in our opinion, shows the source and application of funds of the companies for the year ended June 25, 1966.

Toronto, Canada,  
August 10, 1966.



LIMITED (INCORPORATED UNDER THE LAWS OF ONTARIO) AND ITS SUBSIDIARY COMPANIES

## LIABILITIES

	1966	1965
Current:		
Bank loans and overdrafts (partly secured) - - - - -	\$ 985,897	\$ 777,638
Accounts payable, wages and other accrued charges - - - - -	1,446,332	1,477,144
Payable to affiliated company - - - - -	618,472	496,208
Estimated income taxes payable - - - - -	161,995	421,689
Dividends payable - - - - -	77,422	140,541
Sinking fund instalment due within one year - - - - -	153,500	124,000
Current instalments of deferred liabilities - - - - -		130,000
Total current liabilities - - - - -	3,443,618	3,567,220
Deferred liabilities (note 2) - - - - -	344,589	627,000
Funded debt (note 3) - - - - -	1,237,500	1,427,500
Deferred income taxes - - - - -	1,212,000	948,000
Minority interest in subsidiary companies - - - - -	13,704	80,288
Shareholders' equity:		
Capital (note 4)—		
Authorized:		
50,000 preference shares with a par value of \$49 each, issuable in series		
1,000,000 common shares of no par value		
Issued:		
25,000 \$2.75 cumulative preference shares, Series A, redeemable at \$52.75 per share - - - - -	1,225,000	1,225,000
301,170 common shares - - - - -	56,660	52,675
	1,281,660	1,277,675
Earned surplus - - - - -	4,264,301	3,779,212
	5,545,961	5,056,887
	<u>\$11,797,372</u>	<u>\$11,706,895</u>

(dated financial statements)

## REPORT

, 1966 and the statements of consolidated profit and loss and earned surplus for the fifty-two week period ended on that date. Our as we considered necessary in the circumstances.

esent fairly the financial position of the companies as at June 25, 1966 and the results of their operations for the fifty-two week period period.

n, when considered in relation to the aforementioned consolidated financial statements, presents fairly the sources and applications of

CLARKSON, GORDON & CO.  
Chartered Accountants



# CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

## STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FIFTY-TWO WEEK PERIOD ENDED JUNE 25, 1966

(with comparative figures for the period ended June 26, 1965)

	1966	1965
Profit after providing for minority interest in profits of subsidiary companies but before the following - - - - -	\$2,533,162	\$2,500,340
Deduct (add):		
Depreciation - - - - -	758,698	748,266
Contribution to employees' pension plans - - - - -	137,293	62,906
Interest on funded debt - - - - -	69,045	76,860
Interest on bank loans and deferred liabilities - - - - -	67,343	70,631
Remuneration of directors as such - - - - -	10,000	10,000
Profit on purchase of sinking fund bonds - - - - -	(3,488)	(3,764)
	1,038,891	964,899
Profit for period before income taxes - - - - -	1,494,271	1,535,441
Income taxes (including \$264,000 deferred income taxes in 1966) - -	820,000	880,000
Net profit for period - - - - -	\$ 674,271	\$ 655,441

## STATEMENT OF CONSOLIDATED EARNED SURPLUS

FIFTY-TWO WEEK PERIOD ENDED JUNE 25, 1966

(with comparative figures for the period ended June 26, 1965)

	1966	1965
Balance, beginning of period - - - - -	\$3,779,212	\$3,312,735
Add net profit for period - - - - -	674,271	655,441
	4,453,483	3,968,176
Deduct:		
Dividends—		
On \$2.75 Series A preference shares - - - - -	68,750	68,750
On common shares		
(1966—40¢ per share; 1965—40¢ per share) - - - - -	120,432	120,214
	189,182	188,964
Balance, end of period - - - - -	\$4,264,301	\$3,779,212



# CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES



## STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FIFTY-TWO WEEK PERIOD ENDED JUNE 25, 1966

(with comparative figures for the period ended June 26, 1965)

	1966	1965
Funds provided:		
Net profit for the period - - - - -	\$ 674,271	\$ 655,441
Depreciation charged to operations - - - - -	758,698	748,266
Deferred income taxes - - - - -	264,000	174,000
Book value of fixed asset disposals - - - - -	42,973	214,979
Issue of share capital - - - - -	3,985	2,675
Decrease in mortgages and sundry assets - - - - -	27,128	
	<u>1,771,055</u>	<u>1,795,361</u>
Funds expended:		
Fixed asset expenditures—		
Land, buildings and bakery equipment - - - - -	666,483	676,994
Distribution equipment - - - - -	268,414	245,029
Reduction of funded debt - - - - -	190,000	190,000
Reduction in deferred liabilities - - - - -	282,411	130,000
Reduction in minority interest - - - - -	66,584	161,731
Dividends to shareholders - - - - -	189,182	188,964
Increase in mortgages and sundry assets - - - - -		4,737
	<u>1,663,074</u>	<u>1,597,455</u>
Increase in working capital - - - - -	\$ 107,981	\$ 197,906

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 25, 1966

- The companies lease certain properties for annual rentals aggregating \$91,000 under long-term leases extending to various dates from 1976 to 1986.
- Deferred liabilities:
 

Bank loans payable 1967-1968 - - - - -	\$ 300,000
Notes payable, due 1967 - - - - -	44,589
	<u>\$ 344,589</u>
- Funded debt:
 

First mortgage bonds—	
Authorized:	
\$5,000,000 less \$1,966,500 redeemed and cancelled - - - - -	\$3,033,500
Outstanding—Series A:	
4¼% sinking fund bonds due October 1, 1967 - - - - -	\$1,283,500
Less sinking fund instalment due within one year included in current liabilities - - - - -	153,500
	<u>1,130,000</u>
Series A 6% debentures of subsidiary companies due 1968-1970 - - - - -	107,500
	<u>\$1,237,500</u>
- During the year options, granted in previous years, were exercised for 635 common shares (455 shares at \$5.00 and 180 shares at \$9.50) and options to purchase 470 common shares were cancelled (180 shares at \$5.00 and 290 shares at \$9.50). At June 25, 1966 options were outstanding for 4,960 common shares at \$5 each and 7,030 common shares at \$9.50 each.  
 These options which expire ten years after the granting thereof are exercisable each year to the extent of 10% of the total number of shares covered by the option and contain provisions for termination on cessation of employment.

# CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

## FIVE YEAR COMPARISON

	1966	1965	1964	1963	1962
<b>Operating Profit</b>					
before the following - - - -	\$2,526,650	\$2,494,104	\$2,141,233	\$1,596,002	\$1,732,338
Depreciation - - - - -	758,698	748,266	733,589	728,324	626,742
Contribution to employees' pension plans - - - - -	137,293	62,906	107,510	74,962	124,873
Interest on bank loans and long-term debt - - - - -	136,388	147,491	164,528	150,580	143,090
Income taxes - - - - -	820,000	880,000	607,000	387,500	475,000
<b>Net Profit</b> - - - - -	<u>674,271</u>	<u>655,441</u>	528,606	254,636	362,633
<b>Number of Common Shares Outstanding</b> - - -	301,170	300,535	300,000	300,000	300,000
<b>Earnings per Common Share</b> -	<u>2.01</u>	<u>1.95</u>	1.53	.62	1.00
<b>Dividends declared per Common Share</b> - - - - -	.40	.40	.25	.10	.10





